



Ted Stevens
Anchorage
International Airport

Airtimes

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Alaska Airlines Bases Senior Executive in Anchorage

Alaska Airlines began serving the Anchorage market since its inception in 1932, when Mac McGee started flying his three-seat Stinson between Anchorage and Bristol Bay. As of July 2004, Alaska Airlines and Horizon Air together serve 87 destinations and have recently announced it will be basing its Senior Vice President, William MacKay, in Anchorage. This is the first time in recent history that a senior officer has been stationed here.



William MacKay
Senior Vice President, Alaska Airlines

MacKay says the move is meant to demonstrate Alaska Airlines' commitment to the State. "We want to show the public that we still know Alaska is the heart and soul of the company and Anchorage is our crown jewel," said MacKay. The company's commitment goes beyond simply continuing to serve the market. "We have pledged to replace all of the 737-200 fleet that currently serve Alaska with updated, 737-400 aircraft," announced MacKay.

Doing business in an oil-based state has its interesting dichotomies. When the price of oil skyrockets, as it has in the last year, the State's coffers benefit but one of its most important industries, aviation, suffers. "With every penny fuel increase, Alaska Airlines sees a \$4 million reduction to its bottom line," MacKay adds. "Alaska Airlines is projecting to pay about \$100 million dollars more than it had projected in fuel costs for 2004 – this is a major factor in success or failure." MacKay says that remaining nimble in today's dynamic market is the key to survival.

While protecting the bottom line is important, MacKay sees the need for capital improvement projects that help improve customer service. "Completion of the new C Concourse here in Anchorage underscores the need to update the rest of the facility," said MacKay. "In the long-term plan, I think everyone would like to see us take steps to that end as we're able."

MacKay says as far as he is concerned, Alaska will remain a vital part of Alaska Airlines' business plan. "Anchorage and this airport are a key part of our future success – and every other carrier that flies up here in my mind."



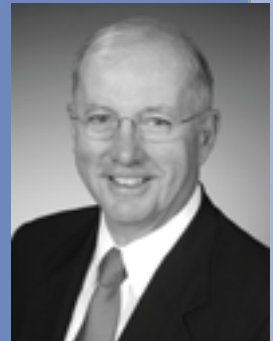
The Airtimes is a quarterly newsletter for sharing updates with our partners, neighbors and stakeholders.

Director's Corner:

Welcome to the first edition of "Airtimes" where we share news and useful information about the Ted Stevens Anchorage International Airport (ANC) with you. In each upcoming edition, we will feature a cargo or passenger carrier that serves the Anchorage market, highlight an airport employee, feature what's new at ANC, share information about issues that impact you and answer frequently asked questions.

This information source will help us share news you need, while giving us a tool to explain our world-class operations. Feel free to call me directly if you have a question or a comment about something we publish – or if you would just like to discuss issues. We strive for an open-door, open-communication process. We hope this newsletter helps broaden our communications and strengthen our ties within ANC's airport community.

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Morton V. Plumb Jr.
Airport Director

Let's talk **money**

All airports must weigh the needs of many – the community, the traveling public, industry, and others to try and find the perfect balance. The Ted Stevens Anchorage International Airport is no different. In order to remain competitive, it must invest in its infrastructure. In order to keep costs down, it must weigh project benefits versus project cost. When planning the capital and operating budgets, the Airport's management must consider these many competing needs.

Where does it come from?

The Ted Stevens Anchorage International Airport receives a bulk of its capital dollars from federal FAA entitlement and discretionary dollars. From 1999 through 2004, the Airport has received about \$165 million in federal funds with monies spent on projects such as: runway rehabilitation, apron refurbishing, taxiway and taxilane improvements.

The Airport's operating budget, and some of the money for capital projects, comes from the rental income derived from more than 330 total lessees that do business on ANC property. The remainder comes from landing fees, fuel flowage charges, and various other user fees and bonds.

What is the role of staff?

Ted Stevens Anchorage International Airport staff is responsible for creating an inviting environment for the private

sector to invest on its 4,700 acres of property. Staff is also responsible for the integrity of the facilities including passenger structures, the airfield and Lake Hood operational needs. In addition, the first responders for police and fire emergencies employ approximately 55 Public Safety Officers on the ANC staff. The airport is the conduit between the community and businesses that operate here by providing noise, environmental and community relations programs.

How is the budget managed?

Unlike a business in the private sector, the Airport does not operate for a profit. It is part of the State of Alaska Department of Transportation and Public Facilities with its budget scrutinized by the State of Alaska Administration, the State's legislative body and the Airport Airline Affairs Committee. The Airport management is constantly looking for efficiencies and cost-saving measures. In the last six months, the Airport has reduced its overtime, audited and cut its vehicle fleet, absorbed a number of staff vacancies into the organization, and deferred \$58 million in capitol projects.

What's the future?

The airline industry is an ever changing, evolving industry. While location is key for attracting and maintaining business, the infrastructure to accommodate industry needs is essential to remaining a viable stop for carriers' many route options. As we emerge from market conditions brought on by September 11, 2001, we are facing a new challenge of balancing varying needs of the airline industry. As some airlines are blessed with 52-week high stock prices, others are working to get out from chapter 11 bankruptcy. The challenge is to balance our commitment to keeping infrastructure updated, while keeping costs down, to ensure a long-term competitive advantage.

Meet **John Barsalou:** Airport Chief of Leasing & Property Management

John Barsalou, the Airport Chief of Leasing & Property Management, takes his job seriously. And, unless you are in one of the many meetings he attends, the only glimpse you will get of him is in the hallway rushing to another appointment – or furiously typing away at his computer behind numerous neatly-piled stacks of paper. Jokingly, coworkers say he gets his energizer-like oomph from his unending supply of Pepsi, though truly he believes it comes from a higher power. “The Lord has blessed me in many ways,” said Barsalou. “This summer my son married. Now, not only do my wife and I have two wonderful children, we also have a beautiful daughter-in-law.”

Barsalou’s faith is important to him, which is evident by the values he brings with him to the workplace. “Integrity and honesty are important. I want to make sure we don’t mislead the public or our business partners, and am cautious to make sure that we are able to do what we say.”

His ‘do-the-right-thing attitude’ is important in his line of work. Barsalou would like to clear the air on one point, however. “We do NOT lease equipment,” he jokes. “We lease airport land and terminal building space that supports passenger and cargo service or aviation-related business.” Barsalou should know, he’s been working in aviation in Alaska since moving to the State with the Air Force in 1980 and has been with the State’s International Airport System since March of 1989.

Today, as the Ted Stevens Anchorage International Airport’s Chief of Leasing, his main function is to facilitate responsible and reasonable airport development. “We’re always looking at ways to optimize revenue that also helps improve customer service,” said Barsalou. “It’s a win-win situation if we can provide more services and, at the same time, bring in more revenue to reduce overall airline costs.”

Barsalou says he has seen a lot change in the last few decades of leasing. One of the most notable, has been the new security requirements since the September 11, 2001 terrorist attacks. “We must now incorporate the TSA’s (Transportation Security Administration) mandates into the lease negotiations,” adds Barsalou. “Even a simple counter relocation requires TSA discussions.”

Even with more rules, Barsalou says lessees at the Airport today should see a more tenant-friendly organization. “We encourage prospective tenants to call us if they have any interest in doing business with the Airport,” said Barsalou. “We want to make the process as easy as possible. And it can be, if we have a straight forward conversation about what needs to happen up front.”

Barsalou sees endless possibilities for leasing in the next decade. With the new C Concourse on-line, the Airport has nearly doubled the terminal rental space it had prior to opening. “We’re doing more with less and that’s in large part due to the hard work of the entire leasing staff and other departments with which we work,” said Barsalou.

With that, Barsalou’s phone rings. The pile of work still sits ominously high. Airport Director Mort Plumb trusts he is capable of handling the load. “John does the right job and does the job right,” said Plumb, “The Airport, and the State, are well served with him on our team.”



From right: John Barsalou, wife, son, new daughter-in-law, and daughter pose for a family photo

Customer Service Star Program First Four Winners Announced

Shared Services employee winner, Alyssa Gorham (holding certificate), is congratulated for her exemplary customer service by Airport Director Morton V. Plumb Jr. and committee members Kate Marang and Sherri Fessenden.

On November 12, 2004, the Airport announced the first four winners of its new Customer Service Program Award. The program is designed to improve customer service from curb to plane. Winners receive a month free of parking, cash, or other in-kind prizes. Other winners this month include Grace Browning, Alaska Airlines; Laci Barclay, Starbucks; and Ji Won Henderson, Chili’s Too.





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What's New at ANC: Closed Circuit Television

The Ted Stevens Anchorage International Airport is continually changing, updating and improving its security measures. By the end of this year Airport contractors will have installed hundreds of closed-circuit television cameras around the Airport, giving security a real-time and recorded view of the happenings at ANC.

Deputy Director, John Parrott, says this step is just one of many the Airport is taking to improve its security. "There's never a day when we'll feel our job is done," said Parrott. "It's a continual process of rethinking how we do things to stay a few steps ahead."



Outside ANC's new C Concourse